


AR41



ANNUAL REPORT

1967

GREAT NORTHERN CAPITAL CORPORATION LIMITED



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GREAT NORTHERN CAPITAL CORPORATION LIMITED

The Annual Meeting of shareholders of Great Northern Capital Corporation Limited will be held on June 27, 1968 at 11.00 a.m. (Eastern Daylight Time) at the head office of the Company, 35 Old Mill Road, Toronto, Ontario. Shareholders not planning to attend in person are requested to execute and send in their proxies.

GREAT NORTHERN CAPITAL CORPORATION LIMITED

Board of Directors

A. L. BEATTIE, Q.C. - - - - - Toronto, Ontario
J. O. BOISI - - - - - New York, New York
G. E. CREBER, Q.C. - - - - - Toronto, Ontario
J. D. GROUND - - - - - Toronto, Ontario
G. F. H. NELSON - - - - - New York, New York
J. E. McCONNELL - - - - - Toronto, Ontario
A. P. MURPHY - - - - - Toronto, Ontario
R. M. THOMSON - - - - - Toronto, Ontario
J. P. WALWYN - - - - - Toronto, Ontario

Officers

ALLAN L. BEATTIE, Q.C. - - - - - PRESIDENT
A. ROY VOELKER, C.A. - - - - - VICE-PRESIDENT,
SECRETARY AND TREASURER
DONALD E. FOX, C.A. - - - - - ASSISTANT SECRETARY
AND ASSISTANT TREASURER
HENRY K. MUEGGLER - - - - - ASSISTANT SECRETARY

Registrars and Transfer Agents

CROWN TRUST COMPANY—Toronto, Montreal, Calgary and Vancouver
THE BANK OF NOVA SCOTIA TRUST CO. OF NEW YORK

Listing

The Common Shares of the Company are listed on The Toronto Stock Exchange.

Auditors

CLARKSON, GORDON & CO. - - - - - Toronto

Head Office

35 OLD MILL ROAD - - - - - Toronto, Ontario

GREAT NORTHERN CAPITAL CORPORATION LIMITED

President's Report

To the Shareholders:

The year 1967 was a year of continued progress for your company. It is a pleasure for me to report that 1967 consolidated net income was \$1,330,166 (64¢ per share) as compared with \$1,239,931 (60¢ per share) in 1966. Consolidated sales totalled \$10,011,274 down from \$12,497,405 in 1966. The increase in net income on reduced sales mainly resulted from the fact that an income tax recovery will be made through the application of loss carry-backs in two subsidiary companies and that no substantial provision for income taxes is required due to the application, in other companies, of loss carry-forwards.

As expected and as stated in last year's report, sales in Etobicoke in 1967 were substantially less than during 1966. This reduced sales volume accounts for the reduction in total consolidated sales for the year. Although sales in Etobicoke in 1968 are expected to be higher than in 1967 it is again noted that the company's Etobicoke project is nearing completion.

As indicated, in the report of Western Heritage Properties Limited, 1967 land sales in all other areas, with one exception, were equal to or greater than 1966. Western Heritage is a 78.7% owned subsidiary company whose accounts are fully consolidated with those of your company. A copy of Western Heritage's annual report accompanies this report.

The situation with regard to the company's investment in the Harbour Square waterfront project in Toronto remains virtually unchanged. Although much interest has been shown by potential developers and investors, the substantial financial backing which is required by this project has not been obtained. Because of the interest which has recently been shown in the proposed development of the whole Toronto harbour area the company feels that a solution to the development and financing problems will be found which will protect the investment of the company in this project.

In general 1967 was a year of continued improvement in the financial position of your company. Working capital increased by over \$700,000 while at the same time long-term debt payments totalling over \$700,000 were made. This reduction in long-term debt is not apparent on the balance sheet of your company due to an adjustment to reflect debt payable in U.S. dollars at the current rate of exchange to Canadian dollars. This adjustment appears in the consolidated statement of surplus for the year.

The Board of Directors recognizes and appreciates the loyal and effective contribution of our officers and employees during the year.

ON BEHALF OF THE BOARD,



President.

GREAT NORTHERN CAPITAL CORPORATION LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

Consolidated Statement of Income for the year ended December 31, 1967

(with comparative figures for the year ended December 31, 1966)

| | 1967 | 1966 |
|--|---------------------|--------------------|
| Sales: | | |
| Land - - - - - | \$ 6,213,181 | \$9,216,850 |
| Manufacturing and other - - - - - | 3,798,093 | 3,280,555 |
| | <u>10,011,274</u> | <u>12,497,405</u> |
| Cost of sales: | | |
| Land - - - - - | 2,609,490 | 3,492,351 |
| Manufacturing and other - - - - - | 2,163,887 | 1,908,242 |
| | <u>4,773,377</u> | <u>5,400,593</u> |
| Gross profit (see Note K) - - - - - | 5,237,897 | 7,096,812 |
| Interest income - - - - - | 254,505 | 124,163 |
| Other income - - - - - | 104,558 | 62,448 |
| | <u>5,596,960</u> | <u>7,283,423</u> |
| Expenses: | | |
| Operating, selling and administrative - - - - - | 3,449,805 | 3,004,900 |
| Interest— | | |
| Long-term debt - - - - - | 557,057 | 599,062 |
| Other - - - - - | 217,444 | 214,028 |
| Depreciation, depletion and amortization - - - - - | 307,744 | 296,434 |
| Amortization of debt discount and financing expenses - - - - - | 12,139 | 11,205 |
| | <u>4,544,189</u> | <u>4,125,629</u> |
| | 1,052,771 | 3,157,794 |
| Appraisal surplus earned on land sold during the year (see Note B) - - - - | 75,682 | 189,209 |
| | <u>1,128,453</u> | <u>3,347,003</u> |
| Provision for (recovery of) income taxes (see Note L) | | |
| —current - - - - - | (282,100) | 1,868,478 |
| —deferred - - - - - | 93,000 | — |
| | <u>(189,100)</u> | <u>1,868,478</u> |
| | 1,317,553 | 1,478,525 |
| Add: | | |
| Minority interest in loss of a subsidiary company - - - - - | — | 4,431 |
| Company's share of net income of a partnership (see Note E) - - - - | 12,613 | 61,897 |
| | <u>1,330,166</u> | <u>1,544,853</u> |
| Less: | | |
| Net loss of a subsidiary company which is in voluntary liquidation - - | — | 304,922 |
| Net income for the year (see Note K) - - - - - | <u>\$ 1,330,166</u> | <u>\$1,239,931</u> |

The accompanying notes are an integral part of the financial statements.

GREAT NORTHERN CAPITAL CORPORATION LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

Consolidated Statement of Surplus for the year ended December 31, 1967

(with comparative figures for the year ended December 31, 1966)

Earned Surplus (Deficit)

| | 1967 | 1966 |
|---|------------------|------------------|
| Balance at beginning of the year - - - - - | \$1,557,938 | \$ (281,236) |
| Add: | | |
| Net income—per statement - - - - - | 1,330,166 | 1,239,931 |
| Reversal of provision for estimated future income taxes - - - - - | — | 1,888,600 |
| Net gain on sale of investments - - - - - | — | 125,074 |
| Gain on disposal of fixed assets - - - - - | — | 60,153 |
| | <u>1,330,166</u> | <u>3,313,758</u> |
| | 2,888,104 | 3,032,522 |
| Less: | | |
| Write-down of marketable and other investments to an estimated realizable value - - - - - | — | 2,442 |
| Adjustment to reflect the conversion of certain long-term debt into Canadian dollars at the current rate of exchange (see Note N) - - - - - | 372,229 | — |
| Write-off of excess of cost of investment in subsidiary company over the underlying book value of its net assets at date of acquisition - - - | — | 730,000 |
| Cost of water distribution system applicable to cost of sales in prior years - - - - - | — | 237,663 |
| Amounts written off pertaining to operating advances to a country club in prior years - - - - - | — | 433,262 |
| Adjustment to reflect the excess of the company's investment in a subsidiary company over losses recorded since acquisition thereof - - - | — | 71,217 |
| | <u>372,229</u> | <u>1,474,584</u> |
| Balance at end of the year - - - - - | <u>2,515,875</u> | <u>1,557,938</u> |

Appraisal Surplus (see Note B)

| | | |
|--|--------------------|--------------------|
| Balance at the beginning of the year - - - - - | 246,386 | 435,595 |
| Less: | | |
| Amount earned on land sold during the year - - - - - | 75,682 | 189,209 |
| Balance at end of the year - - - - - | <u>170,704</u> | <u>246,386</u> |
| Total surplus - - - - - | <u>\$2,686,579</u> | <u>\$1,804,324</u> |

The accompanying notes are an integral part of the financial statements.

GREAT NORTHERN CAPITAL

(Incorporated as a Public Company)

AND ITS CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet

(with comparative figures for 1966)

ASSETS

| Current: | 1967 | 1966 |
|---|---------------------|---------------------|
| Cash and bank term deposits - - - - - | \$ 1,802,681 | \$ 913,564 |
| Accounts receivable - - - - - | 1,224,024 | 589,099 |
| Amounts receivable under sale agreements - - - - - | 1,748,171 | 3,718,967 |
| Inventories— | | |
| Land, including development costs of | | |
| \$1,534,863 in 1967 and \$2,185,175 in 1966 (see Note B) - - - - - | 2,210,469 | 2,931,242 |
| Other, at the lower of cost or estimated net realizable value - - - - - | 559,378 | 574,611 |
| Notes and mortgages receivable due within one year - - - - - | 20,600 | 18,500 |
| Prepaid expenses - - - - - | 92,820 | 93,224 |
| Total current assets - - - - - | 7,658,143 | 8,839,207 |
| Land inventory, less amount included in current assets (see Note B) - - - - - | 3,392,650 | 3,439,066 |
| Land options (see Note C) - - - - - | 68,388 | 101,513 |
| Notes and mortgages receivable, less amounts due within one year included in current assets (see Note D) - - - - - | 3,290,065 | 3,320,615 |
| Investment in a land development partnership (see Note E) - - - - - | 229,946 | 217,333 |
| Fixed assets (see Note F) - - - - - | 3,898,089 | 3,905,062 |
| Other assets—at cost - - - - - | 235,628 | 304,064 |
| Unamortized debt discount and expense (accumulated amortization amounts to \$50,928 in 1967 and \$38,789 in 1966) - - - - - | 64,363 | 76,502 |
| | <u>\$18,837,272</u> | <u>\$20,203,362</u> |

The accompanying notes are an integral part of this financial statement.

L CORPORATION LIMITED

(Incorporated under the laws of Ontario)

SUBSIDIARY COMPANIES

as at December 31, 1967

(as at December 31, 1966)

LIABILITIES AND SHAREHOLDERS' EQUITY

| Current: | 1967 | 1966 |
|---|---------------------|---------------------|
| Bank indebtedness—secured (see Note G) - - - - - | \$ 1,339,264 | \$ 1,715,460 |
| Accounts payable and accrued liabilities - - - - - | 920,993 | 802,113 |
| Income taxes payable - - - - - | 1,803,144 | 2,414,521 |
| Accrued interest - - - - - | 65,073 | 74,243 |
| Deposits on future land sales - - - - - | 17,351 | 142,758 |
| Estimated costs to complete subdivisions under development - - - - - | 928,983 | 1,827,957 |
| Demand notes payable—secured (see Note G) - - - - - | 618,605 | 718,605 |
| Current instalments on long-term debt - - - - - | 839,403 | 734,062 |
| Total current liabilities - - - - - | 6,532,816 | 8,429,719 |
| Long-term debt, less current instalments included in current liabilities (see Note H) - | 7,845,643 | 8,290,085 |
| Deferred income taxes (see Note L) - - - - - | 93,000 | — |
| Minority interest (see Note I) - - - - - | 1 | 1 |
| Contingent liabilities (see Note O) - - - - - | — | — |
| Shareholders' equity: | | |
| Capital stock (see Note J)— | | |
| Authorized: | | |
| 2,500,000 shares without par value | | |
| Issued and fully paid: | | |
| 2,078,630 shares - - - - - | 1,679,233 | 1,679,233 |
| Surplus—per statement (see Note H) - - - - - | 2,686,579 | 1,804,324 |
| Total shareholders' equity - - - - - | 4,365,812 | 3,483,557 |
| Approved by the Board: | | |
| A. L. BEATTIE, <i>Director</i> | | |
| A. P. MURPHY, <i>Director</i> | | |
| | <u>\$18,837,272</u> | <u>\$20,203,362</u> |

part of the financial statements.

GREAT NORTHERN CAPITAL CORPORATION LIMITED
AND ITS SUBSIDIARY COMPANIES

**Consolidated Statement of Working Capital and Source and Application
of Funds for the year ended December 31, 1967**

(with comparative figures for the year ended December 31, 1966)

| | 1967 | 1966 |
|--|--------------------|-------------------|
| Balance of working capital at beginning of the year - - - - - | \$ 409,488 | \$1,984,255 |
| Add: | | |
| Elimination of working capital deficiency of a subsidiary company which was liquidated in 1966 - - - - - | — | 153,711 |
| | 409,488 | 2,137,966 |
| Less: | | |
| Reclassification of 10% notes receivable to non-current assets - - - - - | — | 1,870,000 |
| Adjusted balance of working capital - - - - - | 409,488 | 267,966 |
| Funds provided by: | | |
| Operations, excluding charges not requiring funds (depreciation, depletion, amortization and other) of \$349,517 in 1967 and \$145,188 in 1966 - - - - - | 1,679,683 | 1,094,743 |
| Refund of collateral deposits - - - - - | 65,937 | — |
| Net reduction of notes and mortgages receivable - - - - - | 30,550 | 78,441 |
| Decrease in non-current portion of land inventory - - - - - | 57,416 | 651,327 |
| Gain on sale of marketable investments - - - - - | — | 125,074 |
| | 1,833,586 | 1,949,585 |
| Funds used for: | | |
| Reduction of long-term debt - - - - - | 805,859 | 836,896 |
| Net purchases of fixed assets - - - - - | 298,688 | 320,894 |
| Land options purchased - - - - - | 13,200 | 7,963 |
| Collateral deposits - - - - - | — | 208,737 |
| Advances to a subsidiary company which was in voluntary liquidation - - - - - | — | 403,573 |
| Advances to Commodore for creditors' claims - - - - - | — | 30,000 |
| | 1,117,747 | 1,808,063 |
| Increase in working capital - - - - - | 715,839 | 141,522 |
| Balance of working capital at end of the year - - - - - | <u>\$1,125,327</u> | <u>\$ 409,488</u> |

GREAT NORTHERN CAPITAL CORPORATION LIMITED
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements
December 31, 1967

NOTE A:

In the accompanying financial statements the accounts of the subsidiary companies have been consolidated with those of the company.

NOTE B:

Certain of the company's land was restated in 1954 to reflect the value determined by an independent appraisal at fair market value made in 1953 and subsequent acquisitions were recorded at cost. The amount of the appraisal write-up remaining in the account as at December 31, 1967 was \$170,704 of which \$39,189 was included in current assets.

NOTE C:

A subsidiary company has options to purchase a total of 831 acres of land at prices varying from \$300 to \$1,200 per acre. The amount required to exercise all the options after deducting recoverable option payments of \$68,388 is \$344,212. Fees of \$1,200 are payable within one year to maintain the options.

NOTE D:

The company's investment in notes and mortgages is recorded at cost except (1) the company's investment in senior secured notes of Atlantic Acceptance Corporation Limited is carried at an estimated realizable value of \$875,000 which is 70% of their face value; (2) the company's investment in certain promissory notes outstanding in the amount of U.S. \$49,070 is carried at a nominal value of \$1.00.

Notes and mortgages receivable include 10% notes due February 28, 1966 in the amount of \$1,870,000. These notes are secured by a second mortgage on certain lands forming part of a proposed real estate development. A first mortgagee is proceeding with foreclosure due to a default in the payment of certain monies due under the mortgage which he holds on a major portion of the land. The company feels that if arrangements can be made to refinance commitments to which the project is subject, the underlying lands have sufficient value to secure the company's investment. For this reason no provision for an eventual loss, if any, has been made. No interest has been accrued in the accounts of the company on these notes.

NOTE E:

The company's 55% interest in a land development partnership is carried at cost plus the company's share of profits less losses since acquisition.

NOTE F:

Fixed assets, at cost, consist of the following:

| | 1967 | 1966 |
|---|--------------------|--------------------|
| Land and land improvements - - - - - | \$ 259,860 | \$ 271,617 |
| Buildings - - - - - | 1,455,855 | 1,313,696 |
| Machinery and equipment - - - - - | 2,691,578 | 2,614,837 |
| Country club and golf course facilities - - - - - | 1,153,935 | 1,081,827 |
| Clay deposit and peat moss bog - - - - - | 454,612 | 467,629 |
| | <u>6,015,840</u> | <u>5,749,606</u> |
| Less accumulated depreciation and depletion - - - - - | 2,117,751 | 1,844,544 |
| | <u>\$3,898,089</u> | <u>\$3,905,062</u> |

NOTE G:

Assets having a book value in excess of the bank indebtedness and demand notes payable have been pledged as collateral against these liabilities.

NOTE H:

Long-term debt consists of the following:

| Great Northern Capital Corporation Limited— | 1967 | 1966 |
|---|--------------------|--------------------|
| 5½% notes due 1977 (U.S. \$3,800,000) (see Note N) - - - - - | \$4,108,104 | \$3,932,500 |
| 6% first mortgage bonds due 1970 - - - - - | 128,099 | 160,810 |
| | <u>4,236,203</u> | <u>4,093,310</u> |
| Subsidiary companies— | | |
| 2¾% mortgage due 1968 to 1977 - - - - - | 89,449 | 97,297 |
| 5% note due 1968 - - - - - | 100,000 | 100,000 |
| 5% mortgage due 1967 - - - - - | — | 89,800 |
| 5½% mortgages due 1970 - - - - - | 20,000 | 20,000 |
| 6% note due 1968 - - - - - | — | 21,622 |
| 6% mortgages due 1968 to 1977 - - - - - | 1,261,421 | 1,393,393 |
| 6% first mortgage bonds due \$100,000 on March 31 of each year 1968 to 1971 | 400,000 | 500,000 |
| 6½% mortgage due 1968 to 1970 - - - - - | 181,468 | 335,580 |
| 7% subordinated convertible debentures Series A due June 30, 1973 4,239,400 | | |
| Less inter-company holdings - - - - - | <u>2,818,100</u> | <u>1,421,300</u> |
| 7% mortgages due 1970 and 1971 - - - - - | 77,993 | 259,493 |
| 7¼% mortgages due 1971 and 1972 - - - - - | 344,027 | 251,369 |
| 7½% mortgage due 1969 - - - - - | 44,923 | 102,140 |
| 8% mortgages due 1969 and 1970 - - - - - | 285,000 | 285,000 |
| 10% mortgage due 1969 - - - - - | 61,200 | — |
| Miscellaneous mortgages - - - - - | 162,062 | 53,843 |
| | <u>4,448,843</u> | <u>4,930,837</u> |
| Total long-term debt - - - - - | 8,685,046 | 9,024,147 |
| Less current instalments included in current liabilities - - - - - | 839,403 | 734,062 |
| | <u>\$7,845,643</u> | <u>\$8,290,085</u> |

The 5½% notes due December 1, 1977 are secured by a floating charge on the assets and undertaking of the company. Pursuant to the terms of the agreement in connection with the issuance of the notes, the company may not make any distribution to the shareholders by way of dividends or otherwise in cash or other assets except to the extent that any such distribution shall be represented by consolidated net earnings accrued since December 1, 1957.

On December 1, 1968 and on December 1 in each year thereafter to and including December 1, 1976, the company is required to apply to the prepayment of the notes, without premium, the sum of U.S. \$200,000. In addition, the company is required to apply to the prepayment of the notes, without premium, the sum of U.S. \$100,000 upon the repayment of certain of the demand notes and the sale of certain land owned by a subsidiary company, which land secures the subsidiary's guarantee of the said demand notes. The company may prepay the 5½% notes at any time upon payment of a premium of 2½% to November 30, 1968, decreasing ¼% annually to November 30, 1976 and without premium thereafter.

The 7% subordinated debentures Series A of a subsidiary company have been issued under a trust indenture and are redeemable at the option of that subsidiary in whole or in part at 103% of the principal amount up to and including June 30, 1968 and at decreasing premiums thereafter prior to maturity plus accrued interest to the date of redemption. The debentures are convertible at the option of the holder into shares in the capital of the subsidiary company at \$3.00 per share prior to redemption or maturity.

NOTE I:

Minority interest in subsidiary companies is carried at a nominal value of \$1.00 due to the capital deficiencies of those companies.

NOTE J:

A total of 1,000 shares are reserved for issue at \$5.00 each under an employees' stock option as follows:

500 shares up to October 31, 1968

500 shares from October 31, 1967 to October 31, 1969.

NOTE K:

Because of the material amounts involved in current expropriations of land, the company in 1967 changed its policy with respect to the recording of income arising therefrom. While the previous policy had been to defer the recording of an expropriation until final settlement of price, the current policy is to reflect in sales the amount of an offer at the time the offer is received from an expropriating body. As a result of this change in policy, 1967 sales and gross profits were increased by \$790,000 and \$636,925 respectively, representing the amounts involved in expropriation of two parcels of land for which final settlement prices have not yet been determined. One such expropriation occurred in 1967 (offering price of \$440,000 included in sales; gross profit \$388,153) and the second in 1962 (offering price included in sales \$350,000; gross profit \$248,772). It is expected that final settlement with the expropriating authorities will be at amounts in excess of the amounts offered.

NOTE L:

Income taxes are recoverable as a result of loss carry-backs in two companies. In the case of one subsidiary claiming capital cost allowances in excess of recorded depreciation and amortization, provision has been made for deferred taxes. Income taxes which otherwise would have been provided of approximately \$550,000 have been eliminated as a result of loss carry-forwards.

NOTE M:

As a result of a proposal, made to creditors under Part III of the Bankruptcy Act on April 21, 1966, all liabilities of a subsidiary company were extinguished with the exception of certain amounts owing to a secured creditor. The liability to this creditor is restricted by agreement to the amounts realized by him out of his security. Accordingly, the assets securing this indebtedness and the offsetting liability are not included in the accompanying consolidated balance sheet.

NOTE N:

U.S. dollar amounts included in these financial statements are converted into Canadian dollars at the official rate of exchange, which approximates the current rate of exchange at December 31, 1967. In prior years, the 5½% notes due 1977 were converted at the rate prevailing on the date they were issued.

NOTE O:

A subsidiary company is contingently liable for sale agreements discounted in the approximate amount of \$2,247,800 and mortgage loans in the amount of \$29,477 as at December 31, 1967.

NOTE P:

The total remuneration paid or payable by the company and its subsidiaries to its directors and officers (defined by the Ontario Corporations Act to include the five highest paid employees) with respect to the year ended December 31, 1967 amounted to \$87,700.

Auditors' Report

To the Shareholders of

GREAT NORTHERN CAPITAL CORPORATION LIMITED:

We have examined the consolidated balance sheet of Great Northern Capital Corporation Limited and its consolidated subsidiary companies as at December 31, 1967 and the consolidated statements of income, surplus and working capital and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Reference is made in Note D to the lack of provision for possible loss in connection with notes having a face value of \$1,870,000 which matured February 28, 1966.

In our opinion, except for the uncertainty of a provision being required for possible loss on the notes referred to in Note D, these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes with respect to accounting for land expropriations and conversion of long-term debt payable in U.S. dollars as explained in Notes K and N, with which changes we concur.

Toronto, Canada,
May 28, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants

DESCRIPTION OF BUSINESS

General:

Great Northern is a holding company whose subsidiaries are engaged in land development, mainly residential, in the Provinces of Ontario, Saskatchewan, Alberta and British Columbia and in the State of Pennsylvania. Two clay brick manufacturing operations are also carried on through subsidiary companies. Another subsidiary company operates The Old Mill Restaurant in the Borough of Etobicoke.

In 1964 Great Northern acquired from Lambert & Co., a New York partnership, approximately 79% of the shares of Western Heritage Properties Limited ("Western Heritage"). At the time of this acquisition Great Northern held certain lands in the Borough of Etobicoke as well as 52% of the shares of Atlantic Acceptance Corporation Limited referred to below and Western Heritage held certain lands in the State of Pennsylvania and, through its subsidiaries as described below, held certain lands in the Provinces of Alberta and Saskatchewan and in the vicinity of Markham, Ontario.

Land:

On December 1, 1962, Western Heritage had acquired control of Sherwood Properties Limited (now Canarama Western Limited), a company engaged in land development in the Provinces of Alberta and Saskatchewan. Western Heritage also acquired control of Canarama Limited, a company engaged in land development in the Province of British Columbia, through an offer made to shareholders of Canarama Limited on January 22, 1963 and pursuant to such offer Western Heritage acquired all the shares of Canarama Limited. In 1965 Canarama Limited sold its major assets to Canarama Western Limited and Canarama Limited was then wound up and distributed the balance of its assets to Western Heritage.

In 1963 Western Heritage had acquired the shares of Gladiator Developments Limited, a company engaged in land development in the vicinity of Markham, Ontario. The name of Gladiator Developments Limited was changed to Canarama (Ontario) Limited and the company subsequently sold its major assets, other than the Markham Industrial Park, to Canarama Western Limited and has now been wound up. The Markham Industrial Park was sold to Western Heritage Properties (Ontario) Limited as referred to below and the remaining assets of Canarama (Ontario) Limited have been distributed to its sole shareholder, Western Heritage.

In 1964, Canarama (Ontario) Limited assembled certain residential lands for development in the Town of Burlington, Ontario and these lands together with lands in and near the Village of Markham, Ontario were subsequently sold in 1965 to Canarama Western Limited and sold by Canarama Western Limited in 1968 to Home Smith Developments Limited as referred to below.

In 1965, Canarama (Ontario) Limited acquired additional industrial lands in the Markham Industrial Park for development in the Village of Markham, Ontario. Prior to its winding up, Canarama (Ontario) Limited sold the Markham Industrial Park to Western Heritage Properties (Ontario) Limited.

In 1967, Western Heritage Properties (Ontario) Limited acquired industrial lands (the "Heritage Industrial Park") for development in the vicinity of Burlington, Ontario and these lands have subsequently been sold to Home Smith Developments Limited as referred to below.

Brick Manufacturing:

On March 29, 1963, Diamond Clay Products Limited ("Diamond Clay") which operates a brick manufacturing plant at Burlington, Ontario, was acquired by Western Heritage from Lambert & Co.

In 1965, Diamond Clay acquired 100% of the shares of Empire Clay Products Inc., a New York corporation which operates a brick manufacturing plant at West Falls, New York, and 80% of the shares of Windsor Clay Products Inc., a Connecticut corporation which operated a brick manufacturing plant at Windsor, Connecticut.

In 1966, Windsor Clay Products Inc. went into voluntary liquidation. The liquidation has been completed and a Notice of Dissolution of the corporation has been filed with the Secretary of State of

Connecticut but has not been fully accepted pending receipt of tax and other clearances. The total investment of Diamond Clay and its affiliated companies in Windsor Clay Products Inc. in the amount of \$828,435 has been written off.

Atlantic Acceptance:

In June, 1965, Atlantic Acceptance Corporation Limited, then 53% owned by Great Northern and its subsidiaries, was placed in receivership following default in payment of certain of its short term notes. The investment of Great Northern and its subsidiaries in common shares of Atlantic Acceptance was written down in 1965 by some 5.4 million dollars to the nominal value of \$1.00 and the investment of Great Northern and its subsidiaries in senior secured notes of Atlantic was written down by \$375,000 to an estimated realizable value of 70% of the face amount of such notes

In satisfaction of an agreement dated December 20, 1965 with Montreal Trust Company as receiver and manager of Atlantic Acceptance, Great Northern issued 200,000 shares from its treasury at a value of \$3.50 per share as consideration for the purchase of all the outstanding shares of Commodore Sales Acceptance Limited ("Commodore") which Great Northern had controlled through its ownership of Atlantic Acceptance and which had a substantial tax loss carry-forward. Great Northern also advanced \$30,000 to satisfy the terms of a court approved proposal to extinguish all claims of creditors of Commodore. The above transaction resulted in an investment of \$730,000 by Great Northern in Commodore and, consistent with Great Northern's policy of carrying investments in subsidiary companies on a net book value basis, the cost of this investment was written off in 1966. Great Northern subsequently sold substantially all of its assets and undertaking to Commodore and changed Commodore's name to Home Smith Developments Limited. As a result of the aforementioned proposal, made to creditors of Commodore under Part III of the Bankruptcy Act on April 21, 1966, all liabilities of Commodore were extinguished with the exception of certain amounts owing to a secured creditor. The liability to this creditor is restricted by agreement to the amounts realized by it out of its security. Accordingly, the assets securing this indebtedness and the offsetting liability are not included in the accompanying consolidated balance sheet.

Tax Loss:

An assessment received by Home Smith Developments Limited ("Home Smith") from the Department of National Revenue indicated a tax loss carry-forward of approximately \$28,000,000 as at December 31, 1965. As a result of the sale of assets from Great Northern and its subsidiaries to Home Smith in 1966 and the utilization of part of the tax loss carry-forward for income tax purposes, the overall liability for income taxes of Great Northern and its subsidiaries has been substantially reduced and it is expected that, through the use of a portion of the remaining tax loss carry-forward of approximately \$21,000,000, Great Northern and Home Smith will not be subject to any substantial amounts of income tax until after 1970. In order to further utilize the tax loss carry-forward in Home Smith, Great Northern has caused certain of its subsidiaries, including Western Heritage, to transfer major income producing assets to Home Smith and the particulars of such transactions are set forth below:

| <u>Transferor</u> | <u>Description of Assets</u> | <u>Date of Transfer</u> | <u>Consideration</u> |
|---|---|-------------------------|----------------------|
| Western Heritage Properties Limited | Shares, Notes & Debentures of Diamond Clay Products Limited | May 30/68 | \$2,168,371 |
| Canarama Western Limited | Markham and Burlington lands | Nov. 1/68 | \$3,311,000 |
| Canarama Western Limited | Alberta and British Columbia lands | Nov. 1/68 | \$1,219,139 |
| Western Heritage Properties (Ontario) Limited | Heritage Industrial Park Burlington, Ontario | Sept. 5/68 | \$ 110,304 |

CAPITALIZATION

The following table shows the capitalization of Great Northern and its subsidiaries:

| | <u>Amount Authorized</u> | <u>Amount Outstanding as at Sept. 30, 1968</u> | <u>Amount Outstanding as at Nov. 30, 1968</u> |
|---|------------------------------|--|---|
| LONG TERM DEBT: | | | |
| Great Northern Capital Corporation Limited | | | |
| 5½% Notes due Dec. 1, 1977..... | \$5,000,000US | \$3,800,000US | \$3,500,000US |
| 6% First Mortgage Bonds due Jan. 12, 1970.. | 3,500,000 | 123,276 | 123,276 |
| 5¾% Demand Notes..... | 440,000 | 318,605 | Nil |
| Home Smith Developments Limited | | | |
| 7¼% Mortgage due 1969 to 1972..... | 138,935 | 92,935 | 92,935 |
| 6% Demand Notes..... | 300,000 | 300,000 | 300,000 |
| 6% First Mortgage Bonds 1969 to 1971..... | 1,100,000 | 300,000 | 300,000 |
| Western Heritage Properties Limited | | | |
| 7% Subordinated Convertible Debentures, Series A, due June 30, 1973 (see Note 1).... | 4,300,000 | 3,932,100 | 3,840,400 |
| Miscellaneous Mortgages..... | | 124,318 | 112,226 |
| Canarama Western Limited | | | |
| 5½% Mortgages due 1969..... | 20,000 | 20,000 | 20,000 |
| 6% Mortgages due 1969 and 1970..... | 1,235,230 | 1,122,490 | 1,122,490 |
| 7% Mortgage due 1970..... | 44,000 | 44,000 | 44,000 |
| 8% Mortgages due 1969 and 1970..... | 285,000 | 285,000 | 285,000 |
| Miscellaneous Mortgages..... | | 10,907 | 10,781 |
| Western Heritage Properties (Ontario) Limited | | | |
| 7% Mortgage due 1971..... | 53,610 | 23,610 | 23,610 |
| 7½% Mortgage due 1969..... | 102,140 | 23,565 | 17,628 |
| 10% Mortgage due 1969..... | 95,000 | 35,950 | 27,950 |
| The Old Mill Limited | | | |
| 7¼% Mortgage due 1971..... | 500,000 | 163,026 | 159,204 |
| Empire Clay Products Inc. | | | |
| 2¾% Mortgage due 1968 to 1977..... | 90,000US | 76,663US | 75,295US |
| 6% Mortgages due 1968 to 1977..... | 82,500US | 63,107US | 62,229US |
| Minority Interest in Subsidiary Companies: | | 264,403 | 373,675 (see Note 2) |
| Share Capital of Great Northern: | | | |
| | <u>Number Authorized</u> | <u>Number Outstanding as at Sept. 30, 1968</u> | <u>Number Outstanding as at Nov. 30, 1968</u> |
| Common Shares without par value | 2,500,000 | 2,079,630 | 2,079,630 |

Notes to Capitalization Table:

- 1: Includes \$2,818,100 of Debentures owned by the parent company, Home Smith Development Limited.
- 2: The value of the minority interest at Nov. 30, 1968 is not available at the present time but it is not anticipated that it will differ substantially from that shown which is the Oct. 31, 1968 figure.

DESCRIPTION OF PROPERTY

Great Northern does not own directly any properties. The location and general character of the principal properties owned by its subsidiaries are set out below. All such properties are freehold properties.

| <u>Owner</u> | <u>Location</u> | <u>Description</u> | <u>Encumbrances as of Nov. 30, 1968</u> |
|---------------------------------|--|---|---|
| Home Smith Developments Limited | Borough of Etobicoke, Metropolitan Toronto | 65 acres of undeveloped land, mainly residential, and 10 acres of developed residential land | 6% First Mortgage Bonds of Great Northern in aggregate principal amount of \$123,276 |
| | Burlington, Ontario | Approximately 40 acres of undeveloped industrial lands | 7¼% First Mortgage due 1969 to 1972 in the amount of \$92,935 |
| | Burlington, Ontario | Brick manufacturing plant with capacity in excess of 30,000,000 bricks annually, together with office facilities, a shale deposit and surrounding lands totalling approximately 100 acres | 6% First Mortgage Bonds due \$100,000 on March 31, 1969, 1970 and 1971 in aggregate principal amount of \$300,000 |
| | Newington, Ontario (near Cornwall, Ont.) | A peat moss deposit covering approximately 45 acres of land | Nil |
| | Markham, Ontario | 200 acres undeveloped residential lands, together with option on an additional 100 acres of contiguous lands | 6% First Mortgage due 1970 for \$67,090 and 6% Second Mortgage due 1969 and 1970 for \$240,200 |
| | Burlington, Ontario | 575 acres of undeveloped residential lands | 5½% First Mortgage due 1969 in the amount of \$20,000 |
| | | | 6% First Mortgage due 1970 in the amount of \$815,200 |
| | | | 7% First Mortgage due 1970 in the amount of \$44,000 |
| | | | 8% Second Mortgages due 1969 and 1970 in the amount of \$285,000 |

| <u>Owner</u> | <u>Location</u> | <u>Description</u> | <u>Encumbrances as of Nov. 30, 1968</u> |
|---|--|---|--|
| Home Smith Developments Limited | Sherwood Park, Alberta (near Edmonton) | Approximately 680 acres of undeveloped mixed residential, commercial and industrial lands, together with an option on 550 acres of contiguous lands and approxi- mately 130 acres of lands developed as a golf course, together with curling rink and clubhouse facilities | Override Agreement with Cam-Del Co. Ltd. providing for the payment on sale of property of \$100 per developed lot, \$300 per undeveloped acre or 6% of retail value of bulk developed acreage |
| | Tsawwassen Indian Reserve, B.C. (near Vancouver) | Approximately 12 acres of developed residential lots for sale and 8 acres of undeveloped residential lands | Nil |
| | Richmond, B.C. | Approximately 40 acres of undeveloped agricultural lands | Nil |
| | Langley, B.C. | Approximately 25 acres of undeveloped agricultural lands | Nil |
| Western Heritage Properties Limited | Hemlock Farms, Pennsylvania | 2,700 acres of undeveloped residential land and 400 acres of developed lots for sale in a resort-recreational community, together with golf course and facilities, office buildings, cottages and riding stables | Nil |
| Western Heritage Properties (Ontario) Limited | Markham, Ontario | 13 acres of developed residential lots for sale and 12 acres developed industrial lands | 7% First Mortgage due 1971 in the amount of \$23,610 7½% First Mortgage due 1969 in the amount of \$17,628 10% First Mortgage due 1969 in the amount of \$27,950 |
| Canarama Western Limited | Saskatoon, Saskatchewan | 55% interest in a partnership which hold approximately 280 acres of undeveloped mixed residential, commercial and industrial lands and 14 acres of developed residential lands for sale in River Heights subdivision in the City of Saskatoon, Saskatchewan | Nil |

| <u>Owner</u> | <u>Location</u> | <u>Description</u> | <u>Encumbrances as of Nov. 30, 1968</u> |
|-------------------------------------|--|---|---|
| Home Smith Developments Limited | Sherwood Park, Alberta (near Edmonton) | Approximately 8 acres of developed mixed residential and commercial lands | Override Agreement with Cam-Del Co. Ltd. providing for the payment on sale of property of \$100 per developed lot, \$300 per undeveloped acre or 6% of retail value of bulk developed acreage |
| Sherwood Properties Company Limited | Sherwood Park, Alberta (near Edmonton) | 80 acres of undeveloped residential lands and approximately 15 acres of developed residential lots for sale | Override Agreement with Cam-Del Co. Ltd. providing for the payment on sale of property of \$100 per developed lot, \$300 per undeveloped acre or 6% of retail value of bulk developed acreage |
| The Old Mill Limited | Borough of Etobicoke, Metropolitan Toronto | The Old Mill Restaurant and office facilities, together with 7 acres of surrounding lands | 7 $\frac{1}{4}$ % First Mortgage due 1978 in the amount of \$159,200 |
| Empire Clay Products Inc. | (near Buffalo, N.Y.) | Clay brick manufacturing plant with capacity of 15,000,000 bricks annually together with office facilities and surrounding lands totalling 70 acres of land | 2 $\frac{3}{4}$ % Second Mortgage due 1968 to 1977 in the amount of U.S. \$75,295 6% Mortgages due 1968 to 1977 in the amount of U.S. \$62,229 |

PENDING LEGAL PROCEEDINGS

Two actions were commenced in the Supreme Court of Ontario against Montreal Trust Company as receiver and manager of Atlantic Acceptance Corporation Limited. The first action was commenced by Donald Ross by Writ dated September 28, 1965. The second action was commenced by Connecticut General Life Insurance Company by Writ dated April 18, 1966. As both actions involved the validity of the later issues of Senior Notes of Atlantic Acceptance, the Ross action was discontinued. The Connecticut General action is now proceeding and it is expected that examinations for discovery will be held shortly. If the Connecticut General action is successful, the value of the Senior Notes of Atlantic Acceptance held by Great Northern and its subsidiaries would be substantially reduced below the 70 per cent of face value at which they are now carried on the books of Great Northern and its subsidiaries.

SUMMARY OF ATTRIBUTES OF GREAT NORTHERN SHARES

The only class of shares of Great Northern are common shares. The holders of the common shares are entitled to one vote for each share held of record and have the sole right to vote on all matters voted on

by shareholders. The holders of the common shares are entitled to receive such dividends as are declared by the Board of Directors out of any funds legally available therefor. In the event of any liquidation of Great Northern, the holders of the common shares shall be entitled to share rateably in the assets of Great Northern available for distribution. No holder of shares is entitled to pre-emptive rights. The outstanding common shares of Great Northern have been issued as fully paid and non-assessable. The shares of Great Northern are listed for trading on The Toronto Stock Exchange.

DIVIDEND RECORD OF GREAT NORTHERN

Dividends paid on the shares of Great Northern during the five (5) preceding fiscal years are as follows:

| <u>Fiscal Year Ended December 31</u> | <u>Payment Date</u> | <u>Per Share</u> | <u>Total Amount</u> |
|--|-------------------------|----------------------|------------------------------|
| 1967 | | Nil | Nil |
| 1966 | | Nil | Nil |
| 1965 | March 1 and June 1 | 10¢ 12½¢ | \$187,849.90 \$234,816.65 |
| 1964 | December 1 | 35¢ | \$657,475 |
| Fiscal Year ended November 30, 1963 | November 29 | 20¢ | \$155,842 |

No dividends have been declared or paid during the current fiscal year.

MANAGEMENT

Directors and Officers:

The names and home addresses of the directors and officers of Great Northern, the positions and offices held by each and their principal occupations are as follows:

| <u>Name and Residential Address</u> | <u>Office</u> | <u>Principal Occupation</u> |
|--|---------------------------|--|
| Directors:— | | |
| A. L. Beattie 89 Douglas Drive, Toronto 5, Ontario | President and Director | Partner—Osler, Hoskin & Harcourt |
| J. O. Boisi 727 Oxford Street, Westbury, L.I., N.Y., 11590 U.S.A. | Director | Vice-President—Morgan Guaranty Trust Company of New York |
| G. E. Creber 273 Glen Manor Drive Toronto 13, Ontario | Director | Partner—Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson |
| A. P. Murphy 133 Teddington Park Avenue Toronto 12, Ontario | Director | Retired Executive of a Canadian Chartered Bank |
| G. F. H. Nelson 16 Clearview Drive Summit, N.J., 07901 U.S.A. | Director | Vice-President, Investments— United States Steel & Carnegie Pension Fund, Inc. |
| Gerald James Risby 45 HiMount Drive, Willowdale, Ontario | Director | Vice-President and Treasurer— Anglo American Corporation of Canada Limited |

| <u>Name and Residential Address</u> | <u>Office</u> | <u>Principal Occupation</u> |
|--|---------------|---|
| J. D. Taylor 50 Nanton Avenue Toronto 5, Ontario | Director | Partner—Fasken & Calvin |
| R. M. Thomson 30 Glengowan Road Toronto 12, Ontario | Director | Chief General Manager of a Canadian Chartered Bank |
| J. P. Walwyn 97 Beechwood Avenue Willowdale, Ontario | Director | Chairman—Walwyn, Stodgell & Company, Limited |

Officers:—

| | | |
|---|---|---------------------------|
| A. R. Voelker 34 Ravensbourne Crescent Islington, Ontario | Vice-President, Secretary and Treasurer | Officer of Great Northern |
| D. E. Fox 85 Clansman Boulevard Willowdale, Ontario | Assistant Secretary and Assistant Treasurer | Officer of Great Northern |
| H. K. Mueggler 53 Topcliff Avenue Downsview, Ontario | Assistant Treasurer | Officer of Great Northern |

J. D. Ground, 142 Alexandra Boulevard, Toronto 12, Ontario, Partner—Osler, Hoskin & Harcourt, was a Director of Great Northern until November 21, 1968 and J. E. McConnell, 34 Old Yonge Street, Willowdale, Ontario, Retired—Formerly President of McConnell, Eastman & Co. Limited, was a Director of Great Northern until December 18, 1968.

REMUNERATION OF MANAGEMENT

Great Northern and its subsidiaries did not pay any direct remuneration to any of the directors during the last completed financial year. The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the senior officers of Great Northern as a group during the fiscal year ended December 31, 1967 amounted to \$87,700 and for the current period from January 1, 1968 to November 30, 1968 amounted to the sum of \$76,890. Mr. Allan L. Beattie, the President and a director of Great Northern and certain of its subsidiary companies, is a Partner in the law firm of Osler, Hoskin & Harcourt, solicitors for Great Northern and certain of its subsidiaries. Such firm receives from time to time remuneration from Great Northern and certain of its subsidiaries for legal services performed.

The estimated aggregate cost to Great Northern and its subsidiaries in the last completed fiscal year of all pension benefits, other than under the Canada Pension Plan, proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by Great Northern and its subsidiaries to the senior officers of Great Northern as a group amounted to \$4,000 and for the period January 1, 1968 to November 30, 1968 amounted to \$2,860. None of the directors participate in any such benefits.

OPTIONS TO PURCHASE SECURITIES

Under the Employees' Stock Option Plan of Western Heritage, certain directors and senior officers of Western Heritage and other subsidiaries of Great Northern were entitled as of November 30, 1968 to purchase a total of 8,400 shares of Western Heritage as follows: 7,400 shares at \$1.00 per share and 1,000 shares at \$2.00 per share during the period to March 15, 1971. The Plan pertains only to directors and senior officers and no employees of Great Northern or any of its subsidiary companies other than the directors and senior officers referred to above participates in such Plan.

There are issued and outstanding or authorized for issue as of November 30, 1968 pursuant to a Share Warrant Indenture dated June 1, 1963 between Western Heritage and Montreal Trust Company as Trustee warrants to purchase 269,950 shares of Western Heritage at \$3.50 per share at any time up to and including June 30, 1973. There were originally issued warrants to purchase a total of 270,000 shares of Western Heritage at \$3.50 per share any time up to and including June 30, 1973. A meeting of holders of such warrants has been called to be held on January 24, 1969 to authorize the entering into of a supplemental indenture to such Share Warrant Indenture to provide that the warrants be amended to give the right to subscribe for a total of 134,975 shares of Great Northern at \$7.00 per share.

There are issued and outstanding as of November 30, 1968 under Indenture dated June 1, 1963 between Western Heritage and Guaranty Trust Company of Canada as Trustee \$3,840,400 aggregate principal amount of 7% Subordinated Convertible Debentures, Series A of Western Heritage which are convertible at any time up to and including June 30, 1973 into 1,280,133 shares of Western Heritage. There were originally issued \$4,300,000 aggregate principal amount of 7% Subordinated Convertible Debentures, Series A of Western Heritage. A meeting of debentureholders has been called to be held on January 24, 1969 to authorize the entering into of a supplemental indenture to such Indenture to provide among other things for the amendment of the conversion privileges attached to such debentures to provide that such debentures will be convertible into a total of 640,066 shares of Great Northern on the basis of one share of Great Northern for each \$6.00 principal amount of debentures.

PRINCIPAL HOLDERS OF SECURITIES

As of November 30, 1968, the following persons and companies owned of record, or were known to Great Northern to own beneficially, directly or indirectly, more than 10 per cent of the Shares of Great Northern:

| Name and Address | Type of Ownership | No. of Shares Owned | % of Class (Note 1) |
|--|--|---------------------|------------------------|
| Lambert International Corporation 660 Madison Avenue New York, N.Y. (Note 2) | Beneficial Owner (Note 3) | 645,170 (Note 4) | 31.02 |
| Lambert & Co. 12th Floor, 320 Bay St. Toronto 1, Ontario | Beneficial Owner (Note 5) (Note 6) | 676,450 | 32.53 |

NOTES:

1: After giving effect to the maximum number of shares to be issued pursuant to the Offer.

2: The United States Steel and Carnegie Pension Fund is the beneficial owner of 66 $\frac{2}{3}$ % of the shares of Lambert International Corporation and The Morgan Guaranty Trust Company of New York, as agent for various pension trusts is the beneficial owner of 33 $\frac{1}{3}$ % of the shares of Lambert International Corporation. In addition to its interest as the controlling shareholder of Lambert International Corporation in the shares of Great Northern beneficially owned by Lambert International Corporation, United States Steel and Carnegie Pension Fund is the beneficial owner of 133,350 shares of Great Northern.

3: 322,585 of these shares are pledged with a Canadian chartered bank as security for loans.

4: These shares are subject to the terms of a Voting Trust Agreement dated August 6, 1965 for a term of 10 years, subject to earlier termination as provided in such Voting Trust Agreement, appointing Messrs. A. P. Murphy, 133 Teddington Park Avenue, Toronto 12, Ontario, retired executive of a Canadian chartered bank, G. F. H. Nelson, 16 Clearview Drive, Summit, N.J., 07901, U.S.A., Vice-President—Investments of United States Steel and Carnegie Pension Fund, and Perry Hall, Investment Officer of The Morgan Guaranty Trust Company of New York (Messrs. Murphy and Nelson being also directors of Great Northern) Voting Trustees with full power to vote such shares at all meetings of shareholders of Great Northern.

5: These shares are pledged to a Canadian chartered bank as security for loans.

6: M. Jean Lambert, Geneva, Switzerland, a Partner of Lambert & Co., owns beneficially 132,500 shares representing approximately 6.37% of the outstanding shares.

As of November 30, 1968 the percentage of shares of Great Northern and any of its subsidiaries beneficially owned, directly or indirectly, by directors and senior officers of Great Northern as a group was as follows:

| <u>Class of Shares</u> | <u>Percentage of Class</u> |
|-------------------------|----------------------------|
| Great Northern shares | .07% |
| Western Heritage shares | .001% |

MATERIAL CONTRACTS

Except for contracts in the ordinary course of business, the only contracts which are presently material and which were entered into by Great Northern and its subsidiaries within two (2) years prior to the date of the Offer are those referred to under the heading "Description of Business" above.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Great Northern are Messrs. Clarkson, Gordon & Co., Chartered Accountants, Toronto, Ontario.

Crown Trust Company at its principal offices at Toronto, Montreal, Calgary and Vancouver, together with The Bank of Nova Scotia Trust Co. of New York at New York City, U.S.A., are the Transfer Agents and Registrars of Great Northern.

OTHER MATERIAL FACTS

Anmercosa Investments Limited ("Anmercosa"), a wholly-owned subsidiary of Anglo American Corporation of Canada Limited, Box 28, Toronto-Dominion Centre, Toronto, Ontario, has entered into agreements with certain shareholders of Great Northern under which such shareholders have granted to Anmercosa options and other rights exercisable at various times during the period from January 2, 1969 to January 8, 1971 to acquire from such shareholders 576,450 shares of Great Northern and, upon the happening of certain events, a further 100,000 shares of Great Northern. If all such options and other rights are exercised in full and if such events occur, Anmercosa would hold 29.89 per cent of the issued and outstanding shares of Great Northern after giving effect to the maximum number of shares to be issued pursuant to the Offer.

